



# WINE AND SPIRITS WHOLESALERS OF CONNECTICUT, INC.

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## **The Wine and Spirits Wholesalers of Connecticut Urge Lawmakers to Keep Connecticut's Alcohol Taxes Competitive**

**RE: H.B. No. 6388 An Act Implementing The Governor's Budget Recommendations Concerning The Office Of Policy And Management**

Connecticut's 68 wine and spirits wholesalers enable a responsible and efficient distribution system that provides adults with access to over 33,000 brands of quality products from around the world. These firms act as an important link between producers and consumers of beverage alcohol products, and are the key link in the three-tier system which controls the distribution and sale of these products.

A recent study preformed by John Dunham and Associates predicts a **20 % across-the-board increase in the excise on spirits and wine will likely result in job, sales and income losses.**

This study measures the economic impact on the three-tier distribution system of a \$0.90-per-gallon increase in spirits excise tax and a \$0.12-per-gallon increase in the wine excise tax in Connecticut. The study concludes that the proposed increases in excise taxes on wine and spirits will likely result in:

- ➔ A loss of \$122 million in economic activity due to a decline in sales and the resulting decreased need for raw materials and packaging.
- ➔ This reduced economic activity would cost Connecticut as many as 800 jobs paying as much as \$24 million in wages.

Connecticut's excise taxes rates for wine and spirits are already the highest tax rates in New England and some of the highest in the Northeast Region.

State	Spirits	Wine
Connecticut	4.50/gal	.60/gal <21% alc
	<i>Proposed</i> <b>5.40/gal</b>	<i>Proposed</i> <b>.72/gal</b>
		1.50/gal >21% alc
Massachusetts	4.05/pf gal	.55/pf gal
Maine	0.00	.60/gal
New York	1.70/liter	.19/gal
Rhode Island	3.75/gal	.60/gal
New Jersey	4.40/gal	.70/gal
Vermont	0.00	.55/gal
New Hampshire	0.00	0.00

**Significantly, in November 2010 Massachusetts repealed its 6.25% sales tax on beverage alcohol (which was enacted less than one year prior).** During the period in which the tax was in effect Connecticut retailers along the Massachusetts boarder saw a

significant increase in sales as Connecticut consumers were no longer lured to make their purchases out of state because of lower prices. Since the repeal of the sales tax these sales have once again gone back to Massachusetts. **Increasing Connecticut's excise tax will only result in driving more Connecticut purchases to neighboring states and else where.**

**Many alternative sources of wine & spirits are available to Connecticut consumers at a cost to the state economy.** Many people purchase wine from retailers in lower-tax jurisdictions or non-taxed jurisdictions such as New Hampshire or Vermont, or even over the Internet. A recent analysis conducted for the Wine & Spirits Wholesalers of America<sup>1</sup> concluded Connecticut is highly susceptible to cross-border shopping. The model estimates that about 0.825 thousand gallons of spirits (13.8% of the market) and 0.72 million gallons of wine (6.2% of the market) in total are imported. Were the excise tax on spirits and/or wine to be increased it is likely that as much as 17.9 % of spirits sales and 6.9% of wine sales. This is equal to about 1,078,537.65 gallons of spirits and 861,836.29 gallons of wine that would be imported from lower-tax areas.

The members of the Wine and Spirits Wholesalers of Connecticut are a key link in the 3-Tier System which controls the distribution of beverage alcohol in this country. They purchase beverage alcohol from suppliers and manufacturers and then market and sell those products to licensed retailers – restaurants and package stores. Connecticut wine and spirit wholesalers:

- are licensed and regulated by the state of Connecticut and the federal government;
- are responsible to insure that the wines and spirits brought in to the state by manufacturers and importers are sold and distributed only to licensed retailers (package stores and restaurant);
- pay to the state in excess of \$37 million dollars in state excise taxes;
- assist the Department of Revenue Services in the collection of Sales and Use Taxes, in excess of \$114 Million Dollars annually;
- provide in excess of 1,400 direct jobs to Connecticut residents; and
- contribute in excess of \$150 million dollars in direct and in direct benefits to the state's economy.<sup>2</sup>

The members of the WSWC are committed to ensuring that the best possible safeguards to prevent the sale of beverage alcohol to minors are in place and adults of legal drinking age consume beverage alcohol responsibly. To that end the members of the WSWC have established its community relations program which develops and implements grassroots community based programs designed to combat underage drinking and drunk driving. A recent example of one of the programs is the WSWC PSA Contest where college students were asked to compete in writing, filming and producing a 30 second television PSA to encourage parents to talk to their children about not drinking.

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<sup>1</sup> John Dunham & Associates, 2009.

<sup>2</sup> All statistics are for FY 2009/2010